



FIFTH THIRD BANK

November 30, 2023

Via Electronic Communication

Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments/Legal OES
(RIN 3064-AF90)
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: Notice of Proposed Rulemaking: Resolution Plans Required for Insured Depository Institutions with \$100 Billion or More in Total Assets; Informational Filings Required for Insured Depository Institutions With at Least \$50 Billion But Less Than \$100 Billion in Total Assets (RIN 3064-AF90).

Dear Mr. Sheesley:

Fifth Third Bancorp, and its wholly owned subsidiary Fifth Third Bank National Association (collectively “Fifth Third”) appreciate the opportunity to provide comments on the Notice of Proposed Rulemaking (“Proposed Rule”) issued by the Federal Deposit Insurance Corporation (“FDIC”) which would make significant changes to the current rule requiring submission of resolution plans for Insured Depository Institutions (“IDIs”) under 12 CFR Part 360. The Proposed Rule would modify the current rule, revising content of the plans, the timing cycle of the submission, and apply to all IDIs with consolidated assets above \$50 billion, in two tiered groups with different submission requirements.

Fifth Third writes today to offer suggested modifications to the Proposed Rule consistent and in support with submissions by a coalition of Category IV banks (“Coalition”) and the submissions by the Bank Policy Institute. Specifically, Fifth Third supports the discussions within those submissions regarding modifications to the failure scenario requirements and valuation exercises.

Key Areas of Comment for Fifth Third

- I. The Proposed Rule Should be Modified to Include Additional Tailoring for IDI’s Consistent with Size, Risk and Complexity.

While regional banks vary in size and business mix, most regional banks are similar in that they lack complexity in their legal entity structure and business operations. Fifth Third, and most other Category IV regional banks, are distinguishable from Silicon Valley Bank, Signature Bank, and First Republic Bank (collectively “Failed Banks”) in the diversification of business mix, and lack of concentration risk within their loan and deposit books. As shown in the scoring

framework, Category IV regional banks differ from Globally Systemically Important Banks (“GSIBs”) in that they operate under simple legal entity structures and business models that do not pose the same systemic risk as more complex institutions. Many Category IV regional banks, including Fifth Third, provide traditional banking services relying on stable consumer deposit bases. Fifth Third’s deposit book is well diversified with consumer deposits comprising 55% of total deposits. Uninsured deposits comprise only 40% of Fifth Third’s total deposits and are generally tied to our Commercial and Wealth and Asset Management businesses where customers are supported by a full suite of banking products and solutions. Fifth Third’s deposit base for the consumer franchise is 88% FDIC insured with greater than 80% of those relationships spanning five years or longer. Fifth Third’s commercial franchise focuses on deposits from clients that are deeply tied to Fifth Third. 94% of commercial deposits are from client relationships that utilize Treasury Management services, which includes 84% of commercial uninsured deposits. These strong relationships provide a stable commercial deposit base due to the deep relationships. Further, Fifth Third’s commercial banking loan portfolio is not concentrated in any one specific asset class, such as commercial real estate.

Regional banks in the Category IV group also have spent many years simplifying legal entity structures to support the core IDI. Most Category IV regional banks business models are not overly complex, and a vast majority of assets and business operations of these Bank Holding Companies (“BHCs”) are held and occur in the subsidiary bank. For example, over 99% of Fifth Third’s assets are held by Fifth Third Bank, N.A.

Given these clear differences, the Proposed Rule’s framework to bifurcate IDI’s with Group A (IDIs with assets greater than \$100 billion) and Group B (IDIs with assets greater than \$50 billion but less than \$100 billion) based solely on consolidated asset size, should be amended. IDIs with \$100 billion to \$250 billion in assets have risk profiles and complexities more similar to IDIs with \$50 billion to \$100 billion in assets. The risks and complexities of GSIBs are not representative of these IDIs, and applying requirements designed for trillion dollar-plus institutions is an unreasonable burden. As a result, Fifth Third proposes that the Group B asset limit be raised to \$250 billion. Alternatively, the Proposed Rule could create a third category consisting of IDIs with assets from \$100 billion to \$250 billion. Such a modification would be consistent with amendments Congress made to the enhanced prudential standards for certain BHCs in 2018, recognizing the relative lack of complexity among Category IV regional banks. Further, given the stark differences in complexity between the Failed Banks and Category IV regional banks such as Fifth Third, the modification would be consistent with a risk-based approach the current rule recognizes.

Furthermore, requirements for resolution strategies must also be tailored to the size and complexity of institutions. Most regional banks can more easily be resolved through a single acquirer strategy and given their more simplistic nature, are more difficult to break up and resolve in separate components. In most cases a multiple acquirer strategy will not be the least cost option to the DIF. Fifth Third understands the agency’s desire to seek flexible alternatives, but the alternatives should be commensurate to the size, complexity, and risk profile. Given the simplistic business models and legal entity structures, most business components of Category IV institutions share corporate infrastructure. Allocating resources to resolution strategies that would require duplication of this infrastructure would significantly extend resolution timelines.

Resolution strategies that cannot be executed quickly will be more costly to the DIF and complex for the FDIC to execute while providing little to no value in this process. We encourage the FDIC to consider the risk profile, size and complexity of each institution in question when requiring resolution strategies in the full plan submission.

Additionally, given the increases to the IDI plan content requirements, the FDIC should not require the first submissions under the revised IDI rule until the December that is at least 12 months following the IDI Rule being finalized, rather than the 270-day period, with a December 15th due date.

II. Recommend a three-year submission cycle for IDIs with less than \$250BN in assets; supplemental filings only necessary if there is a material change.

The proposal would amend the current rule to increase the submission cycle for IDIs with consolidated assets above \$100 billion. Currently, Category IV institutions submit IDI plans every three years. Under the proposal, these IDIs would be required to file IDI plans every two years with an informational supplement to the plan during a non-filing year. The proposal states that the FDIC would benefit from receiving this information more frequently in order to monitor changes in the resolution plans or business model to support the FDIC's resolution process. However, the FDIC does not consider the concept of materiality in whether an interim supplement should be required.

As stated earlier, regional banks such as Fifth Third operate a straightforward and transparent business and hold nearly all assets in the IDI. Regional banks do not operate complex businesses and the products and services offered generally do not change frequently. Generally, substantial changes in business models, legal entity structure, or actions that would materially impact resolution plans would occur through merger / acquisition activity. Fifth Third recognizes that recent bank failures have highlighted the need for more frequent resolution plan submissions. However, annual submission requirements of supplemental information may be unnecessary and would not provide additional value to the filer or the FDIC. In keeping with the requirements of the 165(d) Rule extraordinary event standard, supplemental filings should only be required when a material change in a filer's business mix, legal entity structure, or business lines occur. The current material change definition within the IDI is too broad and lacks clear distinction on what constitutes a "material change." Alternatively, Fifth Third believes that interim supplements should be highly targeted and focused primarily on updates to data regarding core elements not otherwise available to the FDIC.

Given the limited benefits likely to be provided to the FDIC from the Proposed Rule's change to the filing cadence coupled with the increased cost to comply with the Proposed Rule's filing schedule, this Proposed Rule would create an undue burden on the FDIC and IDIs such as Fifth Third.

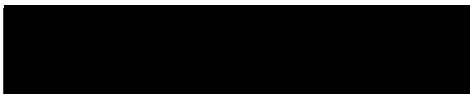
III. Improved clarity regarding Capabilities Testing requirements that focus on identified capabilities within a filer's resolution plan.

IDs should receive clear guidance from the FDIC regarding the requirements for the Capabilities Testing the FDIC plans to undertake. The Proposed Rule is vague regarding capabilities testing requirements and seemingly contradicts the requirements that CIDs describe within their resolution submissions as to what their capabilities are. The proposed rule as written would potentially expand the evaluation of capabilities that may not be identified within a filer's resolution plan or be significant to the individual IDI. Furthermore, it provides discretion to the FDIC regarding the timing and the format of testing. It would be preferred if this process followed more formal engagement with clear focus on material capabilities. This approach would ensure that capabilities testing is consistent with the scope of each resolution plan submission and would prevent inefficient use of resources present in ad-hoc requests outside of a scheduled regulatory engagement. Further, capabilities testing should not be the basis for enforcement action, as doing so would undermine the collaborative nature of IDI resolution planning and impede the goal of improving an IDI's resolution planning.

Fifth Third welcomes timely feedback and believes the resolution planning process should be collaborative, iterative and allow for adequate time to incorporate feedback prior to its next IDI plan submission.

Fifth Third appreciates the opportunity to provide these comments and discuss the modifications proposed in our submission. Please feel free to contact us should you have any questions.

Sincerely


James C. Leonard
Executive Vice President
Chief Financial Officer